

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

This section provides the short title, "Military Personnel Financial Services Protection Act," and the table of contents for the legislation.

SEC. 2. CONGRESSIONAL FINDINGS.

This section asserts that regulation of high-cost securities and life insurance products marketed to members of the Armed Forces by some financial services companies engaging in abusive and misleading sales practices has been inadequate and requires Congressional legislation.

SEC. 3. DEFINITIONS.

This section defines "life insurance product" as "any product, including individual and group life insurance, funding agreements, and annuities, that provides insurance for which the probabilities of the duration of human life or the rate of mortality are an element or condition of insurance." The term includes the granting of (i) endowment benefits; (ii) additional benefits in the event of death by accident or accidental means; (iii) disability income benefits; (iv) additional disability benefits that operate to safeguard the contract from lapse or to provide a special surrender value, or special benefit in the event of total and permanent disability; (v) benefits that provide payment or reimbursement for long-term home health care, or long-term care in a nursing home or other related facility; (vi) burial insurance; and (vii) optional modes of settlement or proceeds of life insurance. The term excludes workers compensation insurance, medical indemnity health insurance, or property and casualty insurance.

SEC. 4. PROHIBITION ON FUTURE SALES OF PERIODIC PAYMENT PLANS.

This section amends section 27 of the Investment Company Act of 1940 by banning the issuance and sale of periodic payment plan certificates, effective 30 days after the date of enactment of this Act. It also directs the Securities and Exchange Commission (SEC) to submit a report to Congress within six months of enactment on refunds, sales practices, and revenues from periodic payment plans.

SEC. 5. REQUIRED DISCLOSURES REGARDING OFFERS OR SALES OF SECURITIES ON MILITARY INSTALLATIONS.

This section amends section 15A(b) of the Securities Exchange Act of 1934 by requiring brokers on military installations to clearly and conspicuously disclose that the securities offered are not recommended, sanctioned or encouraged by the Federal Government, and the identity of the registered broker-dealer offering the securities. This section also requires brokers to perform an appropriate suitability determination, including consideration of costs and knowledge about securities, prior to making a recommendation to a member of the Armed Forces. This section also prohibits referral fees or incentive compensation to persons not associated with a registered broker-dealer.

SEC. 6. METHOD OF MAINTAINING BROKER AND DEALER REGISTRATION, DISCIPLINARY, AND OTHER DATA.

This section amends section 15A(i) of the Securities Exchange Act of 1934, which requires a registered securities association to maintain a toll-free telephone listing to receive inquiries regarding disciplinary actions involving its members and their associated persons, and to respond to those inquiries in writing. The amended language requires the association to establish an easily accessible electronic or other process, in addition to the toll-free telephone listing, to respond to inquiries about registration information. The registered securities association also will be required to adopt rules relating to inquiries and responses, and on the establishment of an administrative process for disputing the accuracy of registration information. Consistent with current law, the association and participating exchanges will not be liable to any persons for actions taken or omitted in good faith under this provision.

SEC. 7. FILING DEPOSITORIES FOR INVESTMENT ADVISERS.

This section reorganizes and codifies in section 204 of the Investment Advisers Act of 1940 provisions of the National Securities Markets Improvement Act of 1996, in which Congress directed the Commission to establish an electronic filing system, and mandated the creation of a public disclosure program, for investment advisers. Pursuant to this directive, the Commission designated the NASD to operate the electronic filing system, which is called the Investment Adviser Registration Depository, and created an Internet-based public disclosure program containing investment adviser registration and disciplinary information.

This section codifies this arrangement, although it requires a toll-free telephone listing, or electronic means, for receiving and responding to inquiries for registration information. It also provides the NASD with immunity from liability for actions taken in good faith in operating the

investment adviser public disclosure program.

SEC. 8. STATE INSURANCE AND SECURITIES JURISDICTION ON MILITARY INSTALLATIONS.

This section clarifies that State insurance and securities laws apply to insurance and securities activities conducted on military installations in the U.S. and abroad. The State within which the base is located would have primary jurisdiction in cases when multiple State laws would otherwise apply. With respect to overseas military bases, the State that issued the resident license of the agent in question or the State where the insurance company in question is domiciled would have jurisdiction.

SEC. 9. REQUIRED DEVELOPMENT OF MILITARY PERSONNEL PROTECTION STANDARDS REGARDING INSURANCE SALES; ADMINISTRATIVE COORDINATION.

This section encourages the States to collectively work with the Secretary of Defense to ensure implementation of appropriate standards to protect Service members from dishonest and predatory insurance sales practices while on military installations in the U.S. and abroad. Also, each State is encouraged to identify its role in promoting these standards in a uniform manner, not later than 12 months after the date of enactment of this Act. This section includes a sense of Congress that the National Association of Insurance Commissioners ("NAIC") should conduct a study to determine the extent to which the States have met the requirement of developing standards and report the results to Congress. It also includes another sense of Congress that senior representatives of the Secretary of Defense, SEC, and NAIC should meet at least twice each year to coordinate their activities to implement this Act.

SEC. 10. REQUIRED DISCLOSURES REGARDING LIFE INSURANCE PRODUCTS.

This section requires the following information to be disclosed, in plain English and appropriate font size, prior to the sale or solicitation of life insurance to Service members pursuant to an on-base solicitation: (i) subsidized life insurance is available from the Federal Government under the Servicemembers' Group Life Insurance program ("SGLI"); (ii) the amount of insurance coverage available under the SGLI program and the costs to the member of the Armed Forces for such coverage; (iii) the Federal

Government has not sanctioned, recommended, or encouraged the sale of the life insurance product being offered; (iv) any terms stipulating that amounts accumulated in a savings component of the life insurance product may be diverted to pay, or reduced to offset, premiums due for continuation of coverage under such product; (v) no person has received any referral fee or incentive compensation in connection with the offer or sale of the life insurance product; and (vi) in the case of solicitations on military installations outside the U.S., the address and phone number of the location where consumer complaints are received by the State insurance commissioner with primary jurisdiction. This section also allows military personnel, or their dependents, to cancel the policy if there are violations of this section. Agents and companies intentionally violating or willfully disregarding the provisions of this section – as determined by a State or Federal agency or in a final court proceeding – are banned from selling insurance to Federal employees on Federal land.

SEC. 11. IMPROVING LIFE INSURANCE PRODUCT STANDARDS.

This section expresses the sense of Congress that the NAIC should, not later than 6 months after enactment, work with the Secretary of Defense to study and report to Congress on ways of improving the quality of and sale of life insurance products on military installations. The NAIC is directed to consider limiting such sales authority to persons that are certified as meeting appropriate best practices procedures, creating standards for products specifically designed for members of the Armed Forces, regardless of the sales location, and the extent to which life insurance products marketed to members of the Armed Forces comply with otherwise applicable provisions of State law. If the NAIC fails to submit a report, the Government Accountability Office will issue the report.

SEC. 12. REQUIRED REPORTING OF DISCIPLINARY ACTIONS.

This section requires insurers serving the military market to implement a system, within one year of enactment, to report to the appropriate State insurance commissioner any disciplinary actions that the insurer knows or should have known were taken against agents by government entities or insurers (only “significant” actions taken by insurers) with respect to the sale or solicitation of insurance on military installations. Also, this section expresses the sense of Congress that the States should collectively implement a system within one year to receive reports of disciplinary actions and to disseminate such information to all other States and to the Secretary of Defense. This section defines “insurer” as a “person engaged in the business of insurance.”

SEC. 13. REPORTING BARRED PERSONS SELLING INSURANCE OR SECURITIES.

This section requires the Secretary of Defense to maintain a list of the name, address, and other appropriate information relating to persons engaged in financial services activities that have been barred, banned, or otherwise restricted from military bases. The registry must be accessible to installation commanders and appropriate Federal and State financial regulators. These regulators shall be notified promptly upon the inclusion or removal of a person under their agencies' jurisdiction. The Defense Secretary shall submit proposed regulations implementing this registry to Congress within 60 days of enactment of this legislation and final regulations within 90 days.

SEC 14. STUDY AND REPORTS BY INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE.

This section requires the Inspector General of the Department of Defense ("DoD") to conduct a study on the impact of DoD's Instruction 1344.07 (as in effect on the date of enactment) and the reforms included in this Act on the quality and sales of securities and insurance products marketed or otherwise offered to members of Armed Forces.